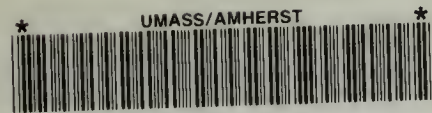


MASSACHUSETTS SMALL CITIES PROGRAM
FINAL PROGRAM STATEMENT
FY 1989



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OFFICE OF THE
DIRECTOR

I. Program Descriptions and Review Criteria

The Commonwealth of Massachusetts has received an earmark of \$24,361,000 in Small Cities Community Development Block Grant funds from the U.S. Department of Housing and Urban Development (HUD) for the 1989 program year. As has been the case since the State assumed responsibility for this program in 1982, the Executive Office of Communities and Development (EOCD) will continue to administer the Massachusetts Small Cities Program (MSCP) this year.

In order to allow specific types of development projects to be directly funded, several different program components have been established under the MSCP. Each component has been designed to fund a specific activity or set of activities, and to allow similar projects to be evaluated against one another, thereby allowing for an equitable distribution of funds.

The 1989 Small Cities Program has been divided into program categories that respond to specific development needs that have been identified by EOCD and articulated by our grantees over the past seven years. The purpose of this portion of our Program Statement is to provide an overview of the various components of this year's program, while further information on budget allocations and application schedules is contained elsewhere in this Statement.

A. GENERAL FUND

The Massachusetts Small Cities Program's General Fund is the largest and most flexible single component of the program. Budgeted at approximately \$19.8 million, eligible "small city" communities can apply to the General Fund to carry-out any of the traditionally eligible Community Development Block Grant activities that have been identified in Section VI of this Program Statement. Two or more eligible small cities may also join together to submit a joint General Fund application, with one of the municipalities designated as the lead community. A restriction that applies to the use of these funds is that they normally not be used for projects that could be funded from any of the other MSCP components detailed in this section.

There are four (4) major types of projects that would generally be considered under the General Fund. They are: housing rehabilitation; infrastructure improvements; commercial revitalization; and public services. Project funds

may be sought for single-purpose applications, such as housing rehabilitation or commercial renovation in a downtown or neighborhood center. Alternatively, multi-purpose applications may also be submitted by interested communities that may include more than one eligible activity and further the cause of community stabilization or revitalization.

EOCD is encouraging applicants to develop comprehensive strategies to meet their needs, which may include projects from any or all of the categories listed above. However, public/social services projects can be submitted only as part of a comprehensive program (i.e., not single purpose).

This policy should not be interpreted that EOCD is discouraging communities from utilizing CDBG funds to address public/social service needs. To the contrary, EOCD recognizes the important role that services directed at low-and moderate-income persons, such as day care, tutoring, drug/alcohol counseling, or services to pregnant teenagers, can play in a community's overall revitalization strategy, and in reducing the barriers that individuals and households face in achieving access to opportunities which improve the quality of their lives.

Consequently, communities are encouraged to consider submitting appropriate requests for funds to provide public/social services, so long as the community has demonstrated that these funds are not available from other sources and the allocation to public/social services does not exceed 15% of the community's total Small Cities request.

Communities might also want to consider requesting funding for the "bricks and mortar" development of such services as day care centers or homeless shelters as a Neighborhood/Public Facilities component of their application. Due to the complexity of such projects, however, communities wishing to apply for such funding are advised to contact the MSCP staff early in their planning process.

The Executive Office of Communities and Development will consider a number of evaluation criteria when it reviews all applications under the General Fund of the Massachusetts Small Cities Program. The five (5) primary criteria to be used are highlighted below:

- a) Need: MSCP funds will generally be targetted to the neediest of communities, or those communities with the neediest residents. EOCD will evaluate both statistical indicators of need and narrative descriptions. The following factors will be reviewed when community need is evaluated:
 - (i) the applicant's relative level of need as compared to other applicants;
 - (ii) the applicant's absolute level of need (when

viewed on its own); (iii) the relative level of need of the applicant's target area or population as compared to other areas within the community; and (iv) the target area's or population's absolute level of need.

The primary purpose of the MSCP is to use available funds to benefit low-and moderate-income people. Therefore, those communities with the neediest populations as documented in their General Fund applications, using appropriate survey methodology and statistics, will have a competitive advantage.

b) Program Design: Communities should design their local programs only after having assessed their full range of community development needs and alternate resources available, and prioritized the order in which these needs will be addressed. In the application, the local program should be fully described, be consistent with the needs that have been identified, cost-effective, and feasible given what has been proposed and the time period of the grant.

c) Program Impact: The level of impact that a proposed activity or program will have on the applicant's identified needs will be a major determining factor in the allocation of General Fund awards. EOCD will evaluate the level of benefits received by the applicant's low-and moderate-income residents as the primary factor in measuring impact. The greater the degree of impact, especially for this target population, the more competitive an application will be judged to be. Additionally, the greater the level of identified needs that are met by each project, the more competitive the application.

Communities should consider the proposed use of program income, and the leveraging of other resources, when calculating the projected program impact over time.

d) Management Capacity: EOCD will evaluate several factors when it reviews an applicant's management plan. The overriding concern is that the applicant has, or will be able to obtain, the capability to carry-out the program that it has designed. Among the issues that will be included in this review are: (i) there is an administrative structure (either in place or proposed) that can coordinate the various elements of the program and carry them out in a timely manner; (ii) the implementation schedule is realistic given the types of projects that are proposed and the amount of work that will be done; (iii) there is sufficient amount of staff to carry-out the project during the given time frame, and staff expertise is adequate to implement the proposed activities; (iv) general administrative costs do not exceed 18% of the total grant request, are not excessive given the proposed staffing plan, and are in line with other communities submitting similar projects; (v) total administrative costs do not exceed 23% of the total grant request and are consistent with other similar projects; and (vi) wherever possible, the MSCP General Fund will lead to an increase in the applicant's capacity to manage itself.

- e) Prior Performance: Due to limited funding and past experience with Small Cities grantees, an applicant's past performance in the MSCP will be a major factor in the awarding of General Fund grant funds. EOCD will be looking for a track record of past performance that is acceptable when viewed in terms of meeting program goals, the timely implementation of projects, responsiveness to state or federal directives, and the absence of significant and unresolved program violations.

Obviously, communities which have never received a MSCP grant in the past can not be evaluated strictly under this criterion. In such instances, more weight will be given to the quality of their management plan, as well as a general assessment of the community's experience, if any, in implementing similar grants.

In addition to these five primary criteria, EOCD will consider several other factors when evaluating a General Fund proposal. These include:

- Has the community received a special Massachusetts Housing Partnership (MHP) designation and/or is proposing activities in support of its MHP agenda?
- Is the community in compliance with major state directives on housing growth (Executive Order 215) and non-discrimination (Executive Orders 227 and 237)?
- Are the activities that are being proposed as a part of the General Fund proposal consistent with state policies on development and benefit to the citizens of the Commonwealth?
- Has the community made a reasonable attempt to leverage other funds?

EOCD expects to award approximately 35 grants this year from the General Fund. The minimum grant that will be awarded will be \$100,000. The maximum grant that will be awarded per year will normally be \$700,000. However, EOCD will consider a higher grant ceiling of up to \$800,000 in the following instance:

- the applicant is proposing a significant infrastructure or public/neighborhood facilities project that will primarily benefit low- and moderate- income persons, and the MSCP-portion of its costs, in relation to the normal \$700,000 award ceiling, would prohibit the applicant from proposing to undertake other MSCP-eligible activities (housing rehabilitation, commercial revitalization, public services) for which the applicant has a proven need and track record.

In reviewing such requests to exceed the normal grant ceiling, EOCD will give particular emphasis to the applicant's documentation that every reasonable attempt has been made to leverage funds from other sources to reduce the cost of the infrastructure or public/neighborhood facilities project to the General Fund.

Applicants should also note that EOCD reserves the right to make an award to a community for less than the total amount requested by the community, on the basis of available funds, competitive demand, reasonable costs, prior years' performance, and management capacity.

EOCD will also continue the practice with the FY 1989 General Fund program of allowing communities to apply for funds to operate a program which will run for two successive program years. As was the approach in past years, successful applicants for a two-year program will receive an award for the first year (FY1989) and a commitment of second-year funds (FY1990) contingent on the applicant having adequate FY 1989 performance and HUD providing EOCD with FY 1990 Small Cities funding. The maximum award for such two-year programs will be \$1,600,000.00.

1) PERFORMANCE BONUS FUND

EOCD will be reserving \$2 million of the funds allocated to the FY 1989 General Fund in order to offer communities an opportunity to receive supplemental funding during the program year through an automatic Bonus Fund for exceptional program performance. Any FY 1989 General Fund grantee which has no serious unresolved management issue and achieves a contracted commitment level of program funds of 65% or more in any program component or for the overall program by May 30, 1990 will receive an award supplement equal to 15% of the component in question or the overall program, respectively. Such supplemental funding may only be used to continue the same activities in which exceptional performance was achieved, and administrative costs in support of these activities. The application process for these supplemental funds will consist of any interested General Fund grantees filing a special report to MSCP on contracted commitments in June 1990.

In the event that the FY 1988 Performance Bonus round is undersubscribed, or there are other indications the full \$2 million set-aside for the FY 1989 Performance Bonus Fund is unwarranted, the Commonwealth reserves the right to allocate a portion of these funds as part of the regular FY 1989 General Fund round.

B. ECONOMIC DEVELOPMENT

The Economic Development Program of the MSCP will be allocated \$3,000,000 from the 1989 funds. This will complement resources available from previous years and the steadily increasing program income generated by the program.

Applications for this Program will be solicited in a consolidated notice of availability of funds in three component areas: the Economic Development Set-Aside component, the Feasibility Study component, and the Main Street component. Each component is described separately below.

While the components fund quite different project activities, they do share some of the same evaluation criteria. These include:

- o compliance with at least one federal and one state objective
- o local community needs or distress factors as demonstrated by narrative or a variety of demographic statistics
- o relationship of the project to a comprehensive community or regional economic development strategy
- o effective and capable local management capacity
- o breadth of public benefits provided, including improved benefits to low/mod residents
- o Program components consistent with environmental responsibility, i.e., incorporation of energy efficiency in design of commercial and industrial facilities and the minimization of the solid waste stream
- o compliance with Executive Orders 215 (fair housing), 227 (civil rights/affirmative action) and 237 (subcontracting to SOMBA-certified Minority Business Enterprises)

All Economic Development Program applications will be evaluated relative to the most recent MSCP Program statement in effect at time of application regardless of which federal fiscal year would be the source of funds for the applicant.

EOCD's goal in the design and development of this Program is to maintain the integrity and centrality of the national objectives, and to constantly move the Program toward maximizing other public benefits. These include improving benefits to employees through profit sharing, ESOP, entrepreneurship development and other means, and increasing energy efficiency and environmental responsibility of all our grantees. We will continue efforts to market the EDSA component to recycling and alternative energy businesses in concert with other state programs, to market EDSA to industries with improved wages and job benefits, and incorporate employee benefits and environmental issues in the Main Street and Feasibility Study programs.

1) ECONOMIC DEVELOPMENT SET-ASIDE COMPONENT (EDSA)

The Economic Development Set-Aside component is the principal economic development tool of the MSCP. EDSA is designed to assist communities with major, single-purpose economic development projects. Such economic development efforts may involve industrial, commercial, service or mixed-use projects.

The component is designed to provide assistance in the form of grants to communities which in turn will be made available to private for-profit businesses, quasi-public development organizations, non-profit organizations which require such financial assistance to make projects feasible. This

assistance may be in the form of a loan and other forms of support to eligible recipients for property acquisition, rehabilitation, improvements, construction of new facilities, purchase of machinery and equipment, or working capital. Assistance may include an allocation for local program administration costs. Loan repayments will be made through the Community Development Finance Corporation to the state on the actual agreement of EOCD and the lending community.

Additional Criteria for Evaluation of Proposals:

- demonstrated financial need for EDSA funds;
- EDSA assistance must result in specific public benefits;
- project feasibility (as determined by financial analysis, market feasibility, etc.);
- projected number of jobs created and/or retained and the quality of those jobs as reflected in wage levels and employee benefits;
- EDSA dollars per job created/retained, and
- the ratio of non-EDSA and EDSA funds.

Applications to the EDSA component will be accepted on an ongoing basis throughout the program year. There is no limit to the number of applications which a community may file. Each loan to a given business will be limited to \$500,000 in a given fiscal year, unless extenuating circumstances prevail.

Explorations will be undertaken in the program year to research ways to make financial assistance available to ESOPs, worker co-ops, worker buyouts and entrepreneurship development. If feasible methods are found, program opportunities to fund such organizations will be defined.

2) THE MAIN STREET COMPONENT

The Main Street Component has been designed to help communities strengthen their local economy by improving the economic health of their established but deteriorated business districts. The program offers financial and technical assistance to help communities apply the Main Street methodology. There will be two components to each Main Street grant: funds towards the salary of a project manager, and a technical assistance grant to implement the project.

Additional Criteria for Evaluation of Proposals:

- The community's needs and ability to carry out the program. Issues of concern are: local community needs, local business district's needs, relationship of the two needs, prior economic development efforts, and evidence of local ability to coordinate a commercial revitalization program.

- Evidence that the business community, local government and the community at large support the Main Street program philosophically and financially.
- A well-defined, established business district with discernible boundaries setting out an area that is marketable and manageable in terms of achieving the program objectives.
- Sufficient historic or architecturally significant buildings in the business district.
- Target area is within a Commercial Area Revitalization District (CARD), or otherwise meets a local development plan or strategy.
- Integration of the Main Street goals with a local downtown or commercial plan, plans for joint Main Street/community cooperation such as energy efficiency in lighting and architectural rehabs, and willingness to work with local governments on broader town initiatives.

3) ECONOMIC DEVELOPMENT FEASIBILITY STUDIES

Grant money will be available to municipalities to evaluate whether specific economic development projects are physically, financially, or organizationally feasible. Eligible projects are either site-specific development projects or projects that are well defined but have not yet located a site. Appropriate components of a feasibility analysis include market analysis, site engineering analysis, financial evaluation, preliminary design, impact analysis, and an outline of timing and organization to undertake the project. Maximum awards for these grants will be \$30,000 and will require at least a 10% local match.

Additional Criteria for Evaluation of Proposals:

- Appropriate source and size of local match for the project.
- Level of community support and involvement in the project, including a local committee to oversee the study process.
- Level of likelihood of the project going forward including the existence of a local organization capable of overseeing the development project.

C. HOUSING DEVELOPMENT SUPPORT FUND

The particular emphasis of this third component of the Massachusetts Small Cities Program will continue to be the support of affordable housing projects. However, there have been two changes in this component. First, eligibility within the Housing Development Support Program (HDSP) will be expanded to include mixed-use (housing/ commercial) projects, and the COREFOCUS program will cease to exist as a separate entity. This step is being taken because of the reduction in the availability of Ch. 707 rental assistance allotments for COREFOCUS projects, and the close resemblance of the COREFOCUS and HDSP programs in most other respects.

Second, allocations of Small Cities funds for the administration of local Rental Rehabilitation programs is being discontinued as a result of the ability to directly utilize up to 10% of the Commonwealth's Rental Rehabilitation Program allotment for such purposes.

1) HOUSING DEVELOPMENT SUPPORT PROGRAM (HDSP) - HDSP will provide \$1,000,000.00 in FY 1989 MSCP funds to communities to carry out a variety of activities in support of the development or improvement of either public or private housing that is affordable to low-and moderate-income persons. Eligible activities will include, but not be limited to: infrastructure, acquisition, site preparation, demolition, and assistance in the rehabilitation of the structures. Communities may receive more than one HDSP award in the program year, with a maximum total assistance of \$300,000 in FY 1989 funds.

All applications for assistance through the HDSP program will be evaluated and rated competitively on the following major criteria:

- a) Project feasibility: determined by financial pro forma analysis, market feasibility, firmness of private financial commitment, documented evidence of need for "gap" financing.
- b) Impact: retention/creation of housing units, for a majority of low-and moderate-income households.
- c) Management capacity: an applicant must have the capability to carry-out this program. An administrative structure must be in place within the community that can coordinate the various elements of the program and carry them out in a timely manner.
- d) Consistency with overall community revitalization strategy: the project must complement on-going downtown or neighborhood center revitalization efforts and strategy.

- e) Compliance with state policies: communities must be in compliance with state policies and priorities, including Executive Order 215 (state directive on housing growth) and Executive Orders 227 and 237 (non-discrimination).

D. MSCP ADMINISTRATION BY EOCD

The final category for which MSCP funds are used is for administrative costs incurred by EOCD during the operation of the Small Cities Program. As allowed by federal statute, this amount will equal 2% of the entire grant allocation plus \$100,000.

II. Program Goal and Objectives

The Massachusetts Small Cities Program has been designed to be fully consistent with the goals and objectives of Title I of the Housing and Community Development Act of 1974 (as amended). As stated in that statute, "the primary objective..... is the development of viable urban communities, by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low-and moderate-income." Due to the overwhelming importance of this goal, it has become the primary focus of the MSCP. However, as the Small Cities Program has evolved, a number of objectives have been developed at both the state and federal levels to carry out this goal. This section of the Statement details the national objectives of the program to which the MSCP adheres, and the state objectives which are to be furthered as a result of the distribution of these resources.

National Objectives

The national goal of the Small Cities Program summarized above has been defined to ensure that program funds are used in one of three distinct ways. According to this goal, the projected use of funds must meet one of three objectives:

1. give maximum feasible priority to activities which will benefit low-and moderate-income families;
2. aid in the prevention or elimination of slums or blight; or
3. meet other community development needs having a particular urgency because existing conditions pose a serious threat to the health and welfare of the community, where other financial resources are not available to meet such needs.

It is the intention of the MSCP that using program funds to benefit low-and moderate-income people will be the primary objective of this program. However, activities funded with Small Cities funds during the year. if they do not principally benefit low-and moderate-income people, will address one of the other two objectives listed above.

State Objectives

In addition to the national objectives outlined above with which MSCP funds will comply, monies will also be used to further certain state objectives that have been developed by EOCD to serve as a guide for all of its revitalization programs. Each program funded from the Small Cities Program will address at least one of these objectives.

1. Municipal Development - promote the physical and economic revitalization and development of the Commonwealth's cities and towns. and particularly their central cores, by renovating their infrastructure and facilities.
2. Neighborhood Development - encourage neighborhood stabilization and revitalization. and work with local and community-based organizations to meet the needs of low-and moderate-income people through projects aimed at providing direct benefits and support.
3. Economic Opportunity - support economic development projects (in commercial, industrial, or other sectors) that lead to the creation or retention of jobs for the community, or the stabilization of a particular sector of a local economy. and the leveraging of significant private investment.
4. Housing Access - provide direct support to projects that benefit low-and moderate-income people and increase their ability to gain access to suitable housing units at affordable rents.
5. Elimination of Barriers - provide services and assistance to disadvantaged groups or other individuals in need (particularly the handicapped, the elderly, minorities, and other low-income persons) in order that such individuals can attain a greater degree of self-sufficiency and can take greater advantage of the opportunities available for improving the quality of their lives.

This fifth objective represents the State's attempt to encourage communities to consider ways in which MSCP funds, and particularly General Fund monies, may be more effectively utilized to provide services to these disadvantaged groups.

Availability of Funds

The Commonwealth of Massachusetts has received an "earmark" of funds from the U.S. Department of Housing and Urban Development in the amount of \$24,361,000.00 for federal FY 1989. These MSCP monies will be distributed during the coming year to all eligible cities and towns (as noted in Section V-Eligibility) in accordance with the approximate budgets outlined below. Any changes from the proposed component allocations which might occur due to demand will be affected either through the procedures described in this Statement (see, for instance, the discussion of recapture below) or through approved HUD amendment or waiver procedures. The full budget available for any component or program of the MSCP will be fully detailed within the Request For Proposals or Notice of Funds Availability issued for that category or program.

<u>Component</u>	<u>FY 1989 Allocation</u>
General Fund:	\$19,773,780.00
Economic Development:	3,000,000.00
Housing Development Support:	1,000,000.00
State Administration:	587,220.00

During the year, EOCD may have cause to recapture earlier program year funds from non-performing grantees. Additionally, there may be limited amounts of program funds from prior years that have yet to be awarded. Finally, there may be opportunities to recapture program income generated by communities from earlier projects. Whenever any of these situations arise, money so generated will be re-allocated within the MSCP according to the following criteria:

1. Prior unawarded funds from any component will be rolled over into same component for the new program year.
2. Money recaptured from non-performing grantees or from the close-out of prior projects will be available to communities on an as-needed basis for eligible activities to address emergency needs (conditions posing a serious and immediate threat to the health and welfare of a community).

Applicants will be required to show that other financial resources are not available to meet the emergency need, the problem has emerged in the previous 18 months, and has not arisen due to local negligence over an extended period of time. Emergency funding requests will be evaluated according to the standard General Fund criteria and the following additional factors:

- the severity and magnitude of the emergency;
- the extent of benefit to low- and moderate-income persons; and,
- the degree to which such an emergency grant will impact the stated emergency.

There is no funding limit on emergency grants. Applications are expected to represent reasonable requests to address the existing emergency.

Communities may also apply to EOCD to access recaptured funds for the purpose of funding innovative projects that will support the community's revitalization efforts or foster more efficient or effective utilization of its other Small Cities grants. In addition to the standard General Fund review criteria, the following factors will be evaluated for such innovative proposals:

- whether the proposed project is creative/innovative;
- whether the project will demonstrate or lead to community/economic development activities which suggest a more effective way of meeting CD goals and implementing programs than those currently in use;
- whether the results of the project will be measurable and replicable in other eligible MSCP communities without the need for extraordinary funding resources;
- whether the project can be implemented in 12-months or less.

Innovative proposals normally will be funded in the \$50,000 - \$100,000 range.

3. Any program income generated from an earlier grant and recaptured in accordance with federal regulations, will be reprogrammed to the same component from which it was generated.
4. When (a) re-allocation of unawarded funds or of program income to the same program component proves infeasible due to timing issues, inadequate demand, or budget constraints (i.e., insufficient monies to fully fund a new project), or, (b) there is insufficient demand for re-captured funds to be used to address emergency or innovative needs, such monies will be reallocated to the General Fund, the Housing Development, and the Economic Development components--in that order--depending on the timing of those other components and the apparent demand for funds.

IV. Timing of Funding Availability

All program funds will be made available to eligible grant recipients based on separate Requests for Proposals or Notices of Funds Availability that will be distributed for each particular MSCP program. This will be done so that communities will be fully aware of the requirements of each particular component and have adequate time to prepare grant applications for each program. Listed below are approximate RFP distribution dates for each program and the corresponding

period in which applications will be due. The exact timing for the submission of grant applications will be further refined through the funding notice applicable to each particular MSCP program. The timing of funds distribution is as follows:

<u>MSCP PROGRAM</u>	<u>RFP/NOTICE ISSUED</u>	<u>APPLICATIONS DUE</u>
General Fund	June/July 1989	August/September 1989
Performance Bonus Fund	April 1990	June 1990
Economic Development Set-Aside	May 1989	Continuous
Feasibility Study Program	May 1989	Continuous
Main Street Program	May 1989	Preliminary: July/August 1989; Final: November, 1989
Housing Development Support Program	July/August 1989	Continuous

V. Eligibility of Applicants

In all cases, eligibility to apply for and receive Massachusetts Small Cities Program funds is limited only to those cities and towns with populations of less than 50,000 residents and which are not currently receiving Community Development Block Grant funds under the Entitlement portion of the program. Additionally, the following limitations have been developed for the specific components of the Small Cities Program:

- (1) Any community that has already received an earmark of funds as a "multi-year recipient" cannot apply as part of any new application for funds under the same program component.
- (2) No community can apply for funds on its own and as part of a joint application during the same year, or during any year in which it has received an earmark of funds, for the same component of the MSCP. The exception to this is the EDSA Program.

Since EOCD assumed responsibility for the MSCP, it has encouraged the concept of "joint" applications (one application involving more than one community) whenever appropriate. In order to comply with federal requirements governing such applications, each participating community should be prepared to: enter into an inter-local cooperation agreement that will allow the lead applicant to carry-out work within other communities; sign the application certifications form stating compliance with program regulations; and have 100% of requested funds initially allocated among all participants.

I. Eligible Activities

Activities eligible for assistance with Massachusetts Small Cities Program funds are only those listed below. (In all cases, unless otherwise noted, "this title" or "Title I" refers to Title I of the Housing and Community Development Act of 1974, as amended.)

(1) the acquisition of real property, including air rights, water rights, and other interests therein, which is: (a) blighted, deteriorated, deteriorating, undeveloped, or inappropriately developed from the standpoint of sound community development and growth; (b) appropriate for rehabilitation or conservation activities; (c) appropriate for the preservation or restoration of historic sites, the beautification of urban land, the conservation of open spaces, natural resources, and scenic areas, the provision of recreational opportunities, or the guidance of urban development; (d) to be used for the provision of public works, facilities, and improvements eligible for assistance under Title I; or (e) to be used for other public purposes;

(2) the acquisition, construction, reconstruction, or installation (including design features and improvements with respect to such construction, reconstruction, or installation which promote energy efficiency) of public works, facilities and site or other improvements, including neighborhood facilities, centers for the handicapped, senior centers, historic properties, utilities (including power generation and distribution facilities using renewable resource energy systems), streets, street lights, water and sewer facilities, foundations and platforms for air rights, sites, pedestrian malls and walkways, and parks, playgrounds and recreation facilities established as a result of reclamation, and other construction activities carried out in connection with a river and land adjacent thereto where assistance under other federal laws or programs is determined to be unavailable, flood and drainage facilities in cases where assistance for such facilities under other federal laws or programs is determined to be unavailable, and parking facilities, solid waste disposal facilities, recycling or conversion facilities, and fire protection services and facilities which are located in or which serve designated community development areas;

(3) code enforcement in deteriorated or deteriorating areas in which such enforcement together with public improvements and services to be provided, may be expected to arrest the decline of the area;

(4) clearance, demolition, removal, and rehabilitation (including rehabilitation which promotes energy efficiency) of buildings and improvements (including interim assistance, financing public or private acquisition for rehabilitation, and rehabilitation of privately-owned properties and including the renovation of closed school buildings);

(5) special projects directed to the removal of material and architectural barriers which restrict the mobility and accessibility of elderly and handicapped persons;

(6) payments to housing owners for losses of rental income incurred in holding for temporary periods housing units to be utilized for the relocation of individuals and families displaced by activities under this title:

(7) disposition (through sale, lease, donation, or otherwise) of any real property acquired pursuant to Title I, or its retention for public purposes;

(8) provisions of public services, including but not limited to those concerned with employment, crime prevention, child care, health, drug abuse, education, energy conservation, welfare or recreation needs, if such services have not been provided by the unit of general local government (through funds raised by such unit, or received by such unit from the state) during any part of the twelve-month period immediately preceding the date of submission of the Statement with respect to which funds are to be made available under Title I and which are to be used for such services, unless the Secretary finds that the discontinuation of such services was the result of events not within the control of the unit of general local government, except that not more than 15 per centum of the amount of any assistance to a unit of general local government under Title I may be used for activities under this paragraph;

(9) payment of the non-federal share required in connection with a federal grant-in-aid program undertaken as part of activities assisted under Title I;

(10) payment of the cost of completing a project funded under Title I of the Housing Act of 1949;

(11) relocation payments and assistance for displaced individuals, families, businesses, organizations, and farm operations, when determined by the grantee to be appropriate;

(12) activities necessary to: (a) develop a comprehensive community development plan; and (b) develop a policy-planning-management capacity so that the recipient of assistance under this title may more rationally and effectively (i) determine its needs, (ii) set long-term goals and short-term objectives, (iii) devise programs and activities to meet these goals and objectives, (iv) evaluate the progress of such programs in accomplishing these goals and objectives, and (v) carry out management, coordination, and monitoring of activities necessary for effective planning and implementation;

(13) payment of reasonable administrative costs and carrying charges related to the planning and execution of community development and housing activities, including the provision of information and resources to residents of areas in which community development and housing activities are to be concentrated with respect to the planning and execution of such activities, and including the carrying-out of activities as described in section 704(e) of the Housing Act of 1954 on the date prior to the date of enactment of the Housing and Community Development Amendments of 1981;

(14) activities which are carried out by public or private non-profit entities, including: (a) acquisition of real property: (b) acquisition, construction, reconstruction, rehabilitation, or installation of (i) public facilities, site improvements, and utilities, and (ii) commercial or industrial buildings or structures and other commercial and industrial real property improvements;

(15) assistance to neighborhood-based nonprofit organizations, local development corporations, or entities organized under section 301(d) of the Small Business Investment Act of 1958 to carry out a neighborhood revitalization or community economic development or energy conservation project in furtherance of the objectives of section 101 (c);

(16) activities necessary to the development of comprehensive community-wide energy use strategy, which may include items such as:

(a) a description of energy use and projected demand by sector, by fuel type, and by geographic area;

(b) an analysis of the options available to the community to conserve scarce fuels and encourage use of renewable energy resources;

(c) an analysis of the manner in, and the extent to which the community's neighborhood revitalization, housing, and economic development strategies will support its energy conservation strategy;

(d) an analysis of the manner in, and the extent to which energy conservation objectives will be integrated into local government operations, purchasing and service delivery, capital improvement budgeting, land use planning and zoning, and traffic control, parking, and public transportation functions;

(e) a statement of the actions the community will take to foster energy conservation and the use of renewable energy resources in the private sector, including the enactment and enforcement of local codes and ordinances to encourage or mandate energy conservation or use of renewable energy resources, financial and other assistance to be provided (principally for the benefit of low-and moderate-income persons) to make energy conserving improvements to residential structures, and any other proposed energy conservation activities;

(f) appropriate provisions for energy emergencies;

(g) identification of the local governmental unit responsible for administering the energy use strategy;

(h) provision of a schedule for implementation of each element in the strategy; and,

(i) a projection of the savings in scarce fossil fuel consumption and the development and use of renewable energy resources that will result from implementation of the energy use strategy;

(17) provision of assistance to private, for-profit entities, when the assistance is necessary or appropriate to carry-out an economic development project;

(18) the rehabilitation or development of housing assisted under Section 17 of the United States Housing Act of 1937; and,

(19) provision of assistance to facilitate substantial reconstruction of housing owned and occupied by low-and moderate-income persons (a) where the need for the reconstruction was not determinable until after rehabilitation under this section had already commenced; or, (b) where the reconstruction is a part of a neighborhood rehabilitation effort and the grantee (i) determines the housing is not suitable for rehabilitation, and (ii) demonstrates to the satisfaction of the Secretary that the cost of substantial reconstruction is significantly less than the cost of new construction and less than the fair market value of the property after substantial reconstruction.

In accordance with federal regulations, no activity listed as eligible under Section 105(a) of the Housing and Community Development Act of 1974 (as amended) will be specifically excluded from any component of the Small Cities Program. However, EOCD reserves the right to establish funding priorities in each of the MSCP components. When this occurs, these priorities will be fully detailed in the individual RFP/Application Package issued for each MSCP program component

Notwithstanding the above, assistance related to buildings for the general conduct of local government is specifically excluded (by law) from being provided under this program, except for the removal of architectural barriers to improve handicapped access.

II. Anti-Displacement Policy

It is the policy of the Massachusetts Small Cities Program not to encourage projects to be undertaken with program funds that will cause the displacement and/or relocation of persons, regardless of income. In the event that an applicant proposes such an activity, the community will be required to submit a plan detailing what it will do to assist persons actually displaced as a result of MSCP-funded activities. The level of assistance to be provided to such person must be consistent with all federal and state requirements for such action. Amendments to the federal Housing and Community Development Act can require a community in certain cases to provide replacement housing for up to ten (10) years for individuals, displaced as a result of activities undertaken with Small Cities funds.

II. Method of Distribution

Each component of the Massachusetts Small Cities Program will be governed by a Request For Proposals/Application Package or Notice of Funds Availability that details the process by which that particular allocation of funds will be distributed. There will be a single-phase application process for each component, except for the Main Street Program, which will employ a two-phase process. The General Fund will make its basic funding available on a single-round basis. The General Fund's Performance Bonus component and the Main Street Program will also conduct single funding rounds. All the other programs under the MSCP will operate on a continuous application basis. The basic review criteria for each of the MSCP components have been outlined in Section I of this Program Statement. However, additional evaluation criteria may be developed for any of the MSCP components to aid in the selection of the most appropriate projects for the amount of funds available. All criteria to be employed will be described in greater detail in each Request For Proposal/Application Package or Notice of Funds Availability.

Once applications have been received by EOCD, they will undergo a three-stage level of review prior to awards being announced. At the first stage, applications will be reviewed by program staff to determine consistency with program criteria. Applications will receive a preliminary rating based on the individual review criteria for each program component. The results of this review will be forwarded to the Assistant Secretary, where further discussions will take place on program appropriateness and budgetary considerations. Additionally, other state-wide development issues will be identified and evaluated. A list of preliminary recommendations will be compiled and forwarded to the Secretary - EOCD for a final review. The final decision on all grants will be made by the Secretary, who will be guided by the criteria outlined in Section I and the relevant RFP. Assisting the Secretary at this level of the review will be the Assistant Secretary - DMD, MSCP Program Director, and other advisors of the Secretary's choosing.

K. Low-and Moderate-Income Benefit

As stated previously, the primary focus of the MSCP is to fund projects that principally benefit low-and moderate-income people. Towards this end, the State's program has adopted the federal standard for the definition of low-and moderate-income. Accordingly, a household will be considered to be of low-or moderate-income if its annual income does not exceed 80% of the median income for the metropolitan area in which it is located, or, if the community is not located in a metropolitan area, 80% of the median for the county or the median for the entire non-metropolitan area of the State, whichever is higher.

EOCD has selected the fiscal years 1988-1990 as the period of time during which it would commit at least 60% of its funds to projects that principally benefit low-and moderate-income people. The 1989 program year marks the second year of that three-year cycle. EOCD estimates that at least 75% of its FY 1989 funds will be spent on projects directly impacting on low-and moderate-income people, based on past experience.

K. Program Sanctions

EOCD reserves the right to suspend or terminate grant awards made to eligible communities, consistent with existing policies. These actions will only be taken in instances of fraud, abuse, poor performance, misrepresentation, or extreme mismanagement. Grantees becoming involved with such program sanctions will be given a full opportunity to appeal such decisions to the Secretary of EOCD before any final action is taken. All program funds recaptured through this process will be re-programmed consistent with the procedures in Section III - Availability of Funds of this Statement.

Based on the significance of the issue involved in any such determination, EOCD may suspend, for a period of up to three (3) years, a community's eligibility to participate in all MSCP components. Such action will only be taken in extreme circumstances, and only after all alternatives have been exhausted.

XI. Program Income

Any community which expects to realize some program income as a result of its proposed MSCP program (through loan repayments, recapture, and the like) must indicate in its application how it proposes to use its program income. According to federal regulations and state policy regarding program income, until formal close-out of any grant, the program income generated from that grant may be spent on any CDBG-eligible activity. Unless alternate procedures are detailed in the relevant RFP for a component, the general rule will be that communities which propose to continue the originally-funded CDBG activity with their program income will receive automatic approval; communities that propose an alternate, CDBG-eligible activity will have their program income plans reviewed for appropriateness by the MSCP staff at the time of application.

Communities will be expected to estimate how much program income they expect to receive, and from what sources and over what time periods. They must also detail how they intend to re-use those funds, identifying proposed activities, allocations, time frames, and management.

EOCD will also review a community's program income balance at the time of application, and periodically during the grant term. Excessive program income balances, or failure to employ program income properly or in a timely manner, may result in EOCD reducing or turning down a funding request, requiring the community to expend program income prior to accessing additional MSCP monies, or exercising any of the program sanctions described in Section X, above.

I. Citizen Participation

All applicants for funding under the FY 1989 MSCP must comply with the revised citizen participation requirements contained in Section 508 of the Housing and Community Development Act of 1987. Communities must include in their application for MSCP funding a local citizen participation plan which details how the community will:

- a) provide for and encourage citizen participation, with particular emphasis on participation by persons of low- and moderate-income who are residents of slum and blighted areas and of areas in which MSCP funds are proposed to be used;

- b) provide citizens with reasonable and timely access to local meetings, information, and records relating to the grantee's proposed use of funds, and relating to the actual use of funds;
- c) provide for technical assistance to groups representative of persons of low-and moderate-income that request such assistance in developing proposals;
- d) provide for public hearings to obtain citizen views and to respond to proposals and questions at all stages of the community development program, including at least the development of needs, the review of proposed activities, and review of program performance. These hearings shall be held after adequate notice, at times and locations convenient to potential or actual beneficiaries, and with accommodations for the handicapped;
- e) provide for a timely written answer to written complaints and grievances, within 15 working days where practicable; and,
- f) identify how the needs of non-English speaking residents will be met in the case of public hearings where a significant number of non-English speaking residents can be reasonably expected to participate.

II. Further Information

EOCD is soliciting comments from localities and citizens regarding the content of this Statement. For those interested in commenting, there are two possible options: comments may be substituted in writing to EOCD at the address below, or comments may be presented in person at the public hearing to be held prior to the submission of this document to HUD.

Any community or citizen wishing further information on any aspect of the Small Cities program may contact program staff at the phone numbers listed below.

Massachusetts Small Cities Program
Executive Office of Communities and Development
100 Cambridge Street, 9th floor
Boston, MA 02202
(617) 727-8690
(617) 727-0494